A sum of Rs.25,00,100/- invested in Government Securities has been transferred to Sri Yuvaraja's Trust under Schedule 2 of the Trust Deed and this investment yields an annual income of Rs.75,003/-. As matters standat present, the income from the properties of the Trust are treated as part of the individual income of His Highness for purposes of assessing income-tax and super-tax. These securities now remain in the name of the said Trust.

As per Notofication of Government of India Order No.878-4 dated21-3-1922 issued under Section 60 of the Indian Income-tax Act, interest on Government Securities held by or on behalf of His Highness is exempt from these taxes. It is likely that as these securities now stand in the name of the Trust, the Income-tax Authorities may not treat them as securities held by or on behalf of His Highness and allow exemption from taxes.

The Income-tax authorities are being requested to allow exemption as the interest on these securities gets included in the individual income of His Highness. If this request is not acceded to by them, His Highness will be obliged to pay income-tax on the interest derived on thse securities at the higher rates of income-tax and super-tax payable by His Highness on the total income.

To avoid this heavy burden of taxation in case exemption is not allowed a proposal in the alternative, to transfer to this Trust certain shares and building held by His Highness yielding guaranteed dividends and rents in lieu of these Government securities is submitted, so that the taxes payable on the interest derived from these securities could be avoided and saved and at the same time as annual income equal to the amount of this interest could be guaranteed to this Trust from out of the dividends and rents realisable. The dividends are assessable to tax, whether the shares are in the name of His Highness or in the name of the Trust.

contd.